



STATE OF RHODE ISLAND

DIVISION OF PUBLIC UTILITIES & CARRIERS

Accounting Section
89 Jefferson Boulevard
Warwick, Rhode Island 02888
(401) 941-4500
(401) 941-9248 - Fax

Memorandum

To: L. Massaro
Commission Clerk

From: Al Contente
Division of Public Utilities Carriers

Date: December 10, 2020

Subject: Standard Offer Service Rate, Transmission and Transition Charge Reconciliation Filing
Docket No. 5083

On November 6, 2020 and pursuant to R.I. Gen. Laws § 39-1-27.3, the Pascoag Utility District ("Pascoag" or "District") filed with the Rhode Island Public Utilities Commission ("Commission") its Year-End Status Report for Standard Offer Service, Transmission, and Transition Reconciliation. The filing contained nine months of actual data through September 2020 and forecasted data through the end of 2020. Pascoag's filing also included the District's new proposed rates effective January 1, 2021. Additionally, Pascoag submitted the direct testimony of two witnesses in support of its filing. The witnesses were identified as Mike Kirkwood, General Manager and Harle Young, Manager of Finance and Customer Service.

On December 4, 2020, Pascoag filed an addendum to supplement its original filing with October 2020 actuals along with supporting documentation and updated its proposed rates as follows:

| Factor | Current | Proposed | Difference | 500 kWh Bill Impact |
|--------------------------------|----------------|-----------------|-------------------|--------------------------------|
| Standard Offer | \$ 0.06672 | \$ 0.06273 | \$(0.00399) | \$(2.00) |
| Transition | \$ 0.00010 | \$ 0.00000 | \$(0.00010) | \$(0.05) |
| Transmission | \$ 0.03170 | \$ 0.03687 | \$0.00517 | \$2.59 |
| Purchase Power Restricted Fund | \$(0.00279) | \$(0.00129) | \$0.00150 | \$0.75 |
| Total | \$ 0.09573 | \$ 0.09832 | \$0.00259 | \$1.29 |

The filing was made in accordance with Pascoag's tariff which requires that standard offer and other

adjustment charges be calculated every twelve (12) months and submitted to the Public Utilities Commission for approval. The calculation was based on estimated total costs of each component of purchased power expenses for the upcoming year and a reconciliation of any over or under collection from previously approved rates.

Purchased Power Restricted Fund Credit (PPRFC)

In a past decision¹, the Commission authorized the creation of a purchased power restricted fund (PPRF) for the purpose of ensuring Pascoag has the ability to meet one month of power bills.

This account is funded with the base electric utility revenues from Daniele Prosciutto International (DPI), which is in accordance with the PUC approved settlement in Pascoag's base rate case.² At the time of the last rate case, continued operations of the DPI plant in Pascoag's service territory was uncertain. As a result, the base revenues from DPI were not included in Pascoag's revenue requirements calculation. Instead, it was agreed that the base revenues from DPI would be deposited into the PPRF.

Pascoag expects to have a year-ending PPRF balance of \$569,052 for 2020. The target balance for this fund is \$550,000. To bring the balance closer to the target level, the District would like to lower the monthly credit amount from \$12,765.45 to \$5,802.73 (\$69,632.81/year). Pascoag believes that the current lowered consumption at the DPI plant should continue close to the current level and the District is hopeful that they will continue operations in the service territory indefinitely.

The Division finds the reduction in the flowback to be reasonable and recommends the Commission approve the flowback of \$69,633 at \$5,803/month through the PPRFC as Pascoag proposed.

Power Entitlements

Mr. Kirkwood provided testimony on Pascoag's power portfolio. He discussed the portfolio in detail and explained that the 2020 power supply portfolio is used in developing the Standard Offer and Transmission rate request. Below is a comparison of Pascoag's 2020 and 2021 Power Entitlements.³

| Supply | 2020 | 2021 |
|---------------------------|------|------|
| Brown Bear Hydro (Miller) | 3% | 2% |
| Spruce Mountain | 3% | 3% |
| Canton Wind | 2% | 2% |
| NYPA (PASNY) | 13% | 14% |
| Seabrook | 18% | 19% |
| NextEra Hedge | 7% | 8% |
| NextEra RISE | 10% | 10% |
| BP Energy 3-Year Hedge | - | 42% |
| PSEG Load-Follow | 29% | - |
| Dynergy Hedge | 15% | - |
| | 100% | 100% |

¹ RIPUC Docket No. 3709

² RIPUC Docket No. 4341

³ The 2020 data provided in the table above was derived from Pascoag's 2020 filing. The 2021 data was derived from Mr. Kirkwood's testimony in the instant filing.

Noteworthy changes from Pascoag’s 2020 filing are the new three-year contract with BP Energy Company for load-follow energy and the elimination of the Transition Charge. The contract with BP Energy Company fills the need for power hour-by-hour as required. Pascoag expects to purchase approximately 42% of the company’s energy needs at a price of \$36.54/MWh.

Pascoag continues to derive financial benefits from their existing contract with Tangent Energy Solutions. Owned and operated by Tangent, the gas-fired power generator installed in 2019 is located on an easement within Pascoag property and runs on high-demand days to shave peak demand hours. The Division verified the Tangent benefits properly flowed back to customers through the standard offer provision.

Moreover, Pascoag signed an agreement with Ocean State BTM to install a battery storage system to help manage peak loads for transmission and Forward Capacity Market purposes. As a Non-Wires Alternative (NWA), the District hopes to also help alleviate some issues that arise when Pascoag approaches and sometimes exceeds thermal limits on the National Grid (“NGrid”) transmission feeders supplying the District. The hope is that, along with giving peak load relief, the 3MW/9MWh battery storage distributed energy unit will also be able to manage contingency conditions if one of the two NGrid feeders goes out of service. A \$250,000 grant from the Rhode Island Energy Office and financing through the Rhode Island Infrastructure Bank made the project feasible for the District and the ratepayers. Because the in-service date isn’t expected until late 2021 or early 2022, there is no impact on the current filing.

Standard Offer, Transition and Transmission Charges

As discussed in the Addendum, Year-End Status Report, Pascoag projects a \$276,062 over-collection by December 31, 2020, broken out as follows:

| | Updated Forecast to 12/31/20 |
|-------------------------------|---|
| Standard Offer | \$119,088 |
| Transition | \$ 5,183 |
| Transmission | \$151,791 |
| Total (overcollection) | \$276,062 |

Throughout the year, Pascoag submits detailed monthly purchased power reconciliation reports detailing any monthly over/under collection along with the status of the cumulative balance. The Division reviews these reports during the course of the year. Tariffs allow for an interim refiling of rates if the over or under-collection surpasses 10% of the total budget, which did not occur in 2020. Based on our review of these reports, along with our review of the information submitted in this filing, the Division concludes that the actual information submitted through October 2020 is accurately calculated and that the projected year-end balance is reasonable.

To calculate the proposed 2021 factors for the Standard Offer and Transmission Charges, Pascoag combines the forecasted 2020 year-end balances with the projected costs for 2021. Pascoag uses its 2020 power entitlements and works with Energy New England to develop its 2021 forecast. The original forecast included in this filing is \$3,512,755 for Energy and \$2,143,507 for Transmission for a total of \$5,656,262. The updated total for 2020 including actual information for the month of October is a decrease to \$5,516,391. Pascoag included a detailed discussion in its filings related to the projected \$139,871 decrease. However, due to the COVID-19 pandemic, the estimated MWh sales are also expected to be lower thereby necessitating the minor proposed rate increase.

The Division reviewed the testimony and supporting documents including the amended filing and concludes that the basis for Pascoag's projections is reasonable.

Pascoag's transition charge recovered the debt service related to the Seabrook Nuclear Power Plant as allowed through R.I.G.L. § 39-1-27.4. The debt service payments ended in 2019 and Pascoag did not incur any additional transition charges. Pascoag projects a \$5,183 over-recovery of transition charges from customers as of the end of 2020 and proposes to credit the over-recovery to the standard offer provision and terminate the transition charge factor. The Division believes this proposal is reasonable and doesn't object to it.

Conclusion

The Division reviewed Pascoag's submissions, including the testimony, calculations, and invoices submitted in this docket. Additionally, the Division reviewed Pascoag's responses to data requests and participated in discussions with Pascoag representatives. Based on our review of this docket, the Division finds that the proposed rates are reasonable and accurately calculated. The Division recommends the Commission approve the proposed rates included in Pascoag's December 4, 2020 Addendum Year-End Status Report. The Division further recommends the rates be approved for usage on and after January 1, 2021. If approved, a 500kWh residential customer will experience an increase of \$1.29 in their monthly bill from \$74.63 to \$75.92.